

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 OPIC-03 CIAE-00 PM-05 H-01  
INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02  
SS-15 USIA-06 TRSE-00 EB-07 AGRE-00 /074 W  
-----126345 201007Z /16

P R 200900Z JUL 77  
FM AMEMBASSY LISBON  
TO SECSTATE WASHDC PRIORITY 2264  
INFO AMEMBASSY BONN  
AMEMBASSY LONDON  
AMEMBASSY MADRID  
AMEMBASSY MOSCOW  
AMCONSUL OPORTO  
AMEMBASSY PARIS  
AMCONSUL PONTA DELGADA  
USMISSION NATO  
DIA WASHDC  
USCINCEUR VAIHINGEN GER

C O N F I D E N T I A L SECTION 1 OF 2 LISBON 5566

E.O. 11652: XGDS-3  
TAGS: PGOV PINT PO  
SUBJECT: PSD UNDECIDED ON AGRARIAN REFORM

REF: LISBON 5560 (DTG 191638Z JUL 77)

SUMMARY: PSD SECRETARIAT MEMBER SERVULO CORREIA TOLD  
EMBOFF JULY 19 THAT THE CRUCIAL PSD VOTE ON AGRARIAN  
REFORM WOULD HINGE ON PS WILLINGNESS TO COME TO AN  
OVERALL AGREEMENT WITH THE SOCIAL DEMOCRATS ON POLITICAL  
AND ECONOMIC POLICY. THE 80-MEMBER PSD NATIONAL COUNCIL  
WILL MEET JULY 20 TO DECIDE THE PSD VOTE IN THE WAKE  
OF DISAGREEMENTS ON THE PSD POLITICAL COMMITTEE. PSD  
APPROVAL OR ABSTENTION APPEARS CRUCIAL TO PASSAGE OF  
THE AGRARIAN REFORM LEGISLATION. END SUMMARY.  
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1. PSD NATIONAL SECRETARIAT MEMBER SERVULO CORREIA  
TOLD EMBOFF JULY 19 THAT THE PSD VOTE ON AGRARIAN  
REFORM WOULD DEPEND ON PS WILLINGNESS TO COME TO AN  
OVERALL AGREEMENT WITH PSD. THE PS AND PSD HAVE MADE  
SOME PROGRESS IN RECONCILING THEIR VIEWS ON THE AGRARIAN  
REFORM LAW, ON THE LAW ESTABLISHING COMPENSATION FOR

NATIONALIZED PROPERTY AND ON MUTUAL CONSULTATIONS, BUT CORREIA FELT THE PS HAD NOT GIVEN ENOUGH IN DISCUSSIONS ON THE MEDIA, OVERALL POLITICAL AND ECONOMIC POLICY, AND THE AZORES AND MADEIRA. THE PSD HAS CONVENED ITS 80-MEMBER NATIONAL COUNCIL FOR JULY 20 TO DECIDE THE PSD VOTE ON AGRARIAN REFORM. CORREIA SAID THAT GIVEN PROVINCIAL SENTIMENT AGAINST AGRARIAN REFORM, THE NATIONAL COUNCIL WOULD LIKELY DECIDE AGAINST THE AGRARIAN REFORM LEGISLATION IN THE ABSENCE OF A GLOBAL ACCORD WITH THE PS. CORREIA BELIEVED THE GOVERNMENT'S PROPOSAL MARKED A SIGNIFICANT IMPROVEMENT OVER EXISTING LAW, BUT HE SAID PSD PRESIDENT SA CARNEIRO OPPOSED THE LAW.

2. THE PRESIDENT'S ROLE: CORREIA SAID PRESIDENT EANES WAS ADOPTING AN INCREASINGLY PRO-GOVERNMENT POSITION ON AGRARIAN REFORM AND OTHER LEGISLATION. CORREIA CITED THE PRESIDENT'S SUPPORT IN YESTERDAY'S MEETING WITH SA CARNEIRO OF THE PS BID TO DELAY THE BILL ON LOCAL GOVERNMENT RESPONSIBILITIES. CORREIA LABELED THE PRESIDENT'S POSITION ILL-ADVISED INTERFERENCE WHICH WILL BE OPPOSED BY ALL THE OPPOSITION PARTIES. CORREIA ALSO FAULTED THE MANAGEMENT OF PRESIDENT EANES'S TRIP TO THE RURAL NORTHEAST, WHICH HE SAID HAD OFFENDED PSD AND CDS MUNICIPAL LEADERS.

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3. CDS POSITION: CORREIA SAID THE PSD WAS KEEPING THE CDS INFORMED OF ITS DISCUSSIONS WITH THE PS. BUT, THE PSD-CDS "CONVERGENCE" DID NOT RULE OUT SEPARATE AGREEMENTS WITH THE PS. CORREIA EXPRESSED CERTAINTY THAT THE CDS WOULD NOT ALLOW ITSELF TO BE OUTFLANKED ON THE RIGHT BY THE PSD, I.E., THAT THE CDS WOULD NOT TAKE A MORE FAVORABLE POSITION THAN THE PSD ON THE AGRARIAN REFORM BILL.

4. WHAT AFTER AGRARIAN REFORM: CORREIA SAID THE PS FAVORED RECESSING THE LEGISLATIVE ASSEMBLY AFTER THE AGRARIAN REFORM VOTE, BUT OTHER PARLIAMENTARY GROUPS WOULD INSIST ON DEBATING THE BILL ON LOCAL GOVERNMENT RESPONSIBILITIES AND THE MEASURES AUTHORIZING SIGNATURE OF FOREIGN LOANS. SHOULD THE PS REJECT AN OVERALL AGREEMENT WITH THE PSD, CORREIA SAID THAT THE PSD AND THE OTHER PARTIES WOULD VOTE AGAINST THE GOVERNMENT ON THE FOREIGN LOAN AUTHORIZATION AND OTHER KEY LEGISLATION.

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 OPIC-03 CIAE-00 PM-05 H-01

INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02

SS-15 USIA-06 TRSE-00 EB-07 AGRE-00 /074 W

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P R 200900Z JUL 77

FM AMEMBASSY LISBON

TO SECSTATE WASHDC PRIORITY 2265

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY MADRID

AMEMBASSY MOSCOW

AMCONSUL OPORTO

AMEMBASSY PARIS

AMCONSUL PONTA DELGADA

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C O N F I D E N T I A L SECTION 2 OF 2 LISBON 5566

5. COMMENT: CORREIA IS THE PSD ASSEMBLY FLOOR LEADER AND A MODERATE VOICE IN PARTY COUNCILS. HE IS PART OF THE PS-PSD WORKING GROUP ON POLITICAL AFFAIRS WHICH HAS MET OVER THE PAST WEEK. CORREIA HAD ANOTHER WORKING GROUP SESSION WITH MINISTER WITHOUT PORTFOLIO JORGE CAMPINOS SCHEDULED FOR THE AFTERNOON OF JULY 19. OTHER WORKING GROUPS ARE MEETING ON ECONOMIC AND AGRARIAN MATTERS.

6. THE PSD NATIONAL COUNCIL WAS CONVENED AS A RESULT OF DISAGREEMENTS IN THE 19-MEMBER POLITICAL COMMITTEE. WHATEVER THE FINAL DECISION, THE PARTY WILL HAVE GREATER AUTHORITY IN JUSTIFYING ITS VOTE WITH THE WEIGHT OF THE NATIONAL COUNCIL BEHIND IT. SA CARNEIRO AND OTHER HARDLINERS WILL PUSH FOR A NEGATIVE VOTE UNLESS THE  
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PS MAKES SUBSTANTIAL CONCESSIONS. CORREIA AND OTHER MODERATES ARE LIKELY TO ARGUE FOR A SOFTER POSITION. IN ANY CASE, THE PSD'S POSITION IS CRUCIAL TO PASSAGE

OF THE LAW (REFTEL).

7. THE PSD'S POSITION ON THE AGRARIAN REFORM LAW HIGHLIGHTS THE INTERNAL STRESSES WITHIN THE PARTY. THE LISBON FACTION WHICH LIVES CLOSER TO THE COMMUNIST STRONGHOLDS IS MORE INCLINED TO REACH AN ACCOMMODATION WITH THE SOCIALISTS THAN THE NORTHERN HARDLINERS LED BY SA CARNEIRO. ADDED TO THIS IS SA CARNEIRO'S INCREASINGLY OBVIOUS AMBITION TO BECOME PRIME MINISTER AND HIS TENDENCY TO TAKE EXTREME POSITIONS.

8. IF THE PS SURVIVES THE AGRARIAN REFORM STRUGGLE, AND THEY PROBABLY WILL, THE SOCIALISTS WILL HAVE BEEN PUT ON NOTICE THAT SA CARNEIRO INTENDS TO MAKE A TEST OF STRENGTH ON EVERY CONCEIVABLE ISSUE (INCLUDING OUR LOANS) UNTIL HE FORCES A GOVERNMENTAL CHANGE. HE MAY BE ABLE TO MUSTER SUPPORT WITHIN THE PARTY FOR SUCH A STRATEGY, ALTHOUGH THIS IS NOT A CERTAINTY AND SOME OF THE MORE MODERATE LISBON FACTION WILL CERTAINLY OPPOSE IT OPENLY.

9. BUT SA CARNEIRO WILL SOON FIND HIMSELF AT LOGGERHEADS WITH THE PRESIDENT WHO, ACCORDING TO A KEY MEMBER OF HIS STAFF, DOESN'T PARTICULARLY CARE FOR THE PSD LEADER IN ANY EVENT. IT IS QUESTIONABLE IF EVEN THE PRESIDENT COULD DISSUADE SA CARNEIRO IF HE HAS REALLY SET HIS SIGHTS ON GAINING POWER AT ALL COSTS. ULTIMATELY THE ONLY WAY HE COULD BE DETERRED IS IF HIS PARTY REMOVES HIM OR REINS HIM IN, AND THEY SEEM LITTLE INCLINED TO DO THAT AT PRESENT.

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## Message Attributes

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Margaret P. Grafeld  
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